DELHI AVIATION FUEL FACILITY PRIVATE LIMITED

(Joint Venture of IOCL, BPCL & DIAL)

Regd. Office: Aviation Fuelling Station, Shahbad Mohammad Pur, IGI Airport, New Delhi - 110 061, INDIA

Date:6th September 2021

DAFFFL-FIN- AERA-CP3

The Director (P&S, Tariff),
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airport.
New Delhi- 110003, India

Subject: Submission of counter comments on Stakeholder comments on Consultation Paper No. 12/2021-22 (File No. AERA/20010/MYTP/DAFFPL/FF/CP-III/2021-26) in the matter of determination of Fuel Infrastructure Charges for Delhi Aviation Fuel Facility Private Limited (DAFFPL) at IGI Airport, New Delhi (01.04.2021 – 31.03.2026).

Dear Sir,

This has reference to CP No 12/2021-22 dated 27th July, 2021 and comments of following stakeholders forwarded to us vide public notice no. 23/2021-22 for our counter comments:

SI. No.	Stakeholders
1.	M/s Delhi International Airport Limited (DIAL).
2.	M/s Hindustan Petroleum Corporation Limited (HPCL).
3.	M/s Bharat Petroleum Corporation Limited (BPCL).
4.	M/s Indian Oil Corporation Limited (IOCL).
5.	M/s Federation of Indian Airlines (FIA).
6.	M/s International Air Transport Aviation (IATA).
7.	M/s Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL).

We hereby submit our written counter comments on the comments of the above stakeholders issued by the Authority.

For Delhi Aviation Fuel Facility Private Limited

Delhi Aviation Fuel Facility Private Limited New Delhi

Deepak Agrawal
Chief Financial Officer

Encl: As above

DAFFPL's counter comments on various stakeholders' response on the CP 12/2020-21 issued by AERA on 27th July 2021

Name of Stakeholder	Point Raised	DAFFPL's Response
DIAL	1. **Useful Life of Assets:** DAFFPL in its tariff proposal for third control period has considered based on the useful life as per Companies act and order no. 35/2017-18, however restricted the useful life of the assets to the end of the concession period as DAFFPL has to return the assets at NIL value to DIAL. However, Authority has considered normal useful life of the Assets as per the order no 35/2017-18. The approach considered by DAFFPL is in accordance with Companies Act, 2013 as well as AERA's own order no 35/2017-18. Authority at clause 3.2 of the amendment no. 1 to order no 35/2017-18 dated 9th April'2018 has categorically captured the balance useful life of the asset in case of restrictive lease period : *In order to bring in clarity and to consider the cases where the first extension is not automatically available, the Authority amends the notes to the Annexure as follows:* *"4.... For the purpose of identifying the balance useful life, balance period remaining out of the initial lease period plus the first extension at the option of the Operator should be considered. If the period of useful life of assets is considered differently, the Airport Operator shall document and provide the reasons / justification and basis for the period considered in determining the useful life of assets for the purpose of tariff determination which shall be examined and considered by the Authority.* In case of OAFFPL the concession period is twenty-five (25) years from the commencement date, unless terminated earlier for any reason in accordance with the terms of the respective agreement. There is no option of extension of the concession period in case DAFFPL accordingly the lease period has to be considered 25 years. Also, DAFFPL has considered the same treatment in their books of accounts. Accordingly, we request Authority to consider only the balance concession period while allowing depreciation to new asset additions.	We agree with the views of DIAL.
DIAL	2. **Computation of FRoR** Authority in case of DAFFPL while calculating return on RAB has considered different FRoR for every year during the control period. This approach is not in accordance with the tariff guidelines and earlier tariff determination exercise undertaken by AERA in case of	We agree with the views of DIAL and request the authority to consider the same favourably.

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	DAFFPL. In accordance with clause 9.1 of the tariff guidelines for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011 dtd. 10th Jan' 2011, the fair rate of return has to be calculated as a constant number over the control period. Such single FRoR value is calculated basis the weighted average cost of various means of finance and the weighted average gearing for the full control period. Accordingly, there should be one FRoR for full control period. The approach adopted by the Author it y in case of DAFFPL is not aligned to tariff guidelines and also contrary to the tariff determination adopted by AERA in case of second control period of DAFFPL. Accordingly, we request AERA to follow the tariff determination process in accordance with tariff guidelines and this will also ensure the consistency across the control period of DAFFPL.	
DIAL	3. <u>Return on Security Deposit</u> As per the concession agreement, DAFFPL has to maintain security deposit. The security deposit has been funded either by debt or equity and Authority's proposal of providing 5% inflationary return on such deposits is not reasonable. Hence, we request authority to consider means of finance of security deposit and allow return equivalent to means of finance in order to reimburse at least the opportunity cost of such deposits.	We agree with the views of DIAL.
DIAL	**4. <u>Financing Allowance</u>** Authority in case of DAFFPL at para 5.5.5 of the said consultation paper has opined that the financing allowance is essentially the IDC for a project and should be provided only on the Debt portion of the project fund. Authority's viewpoint is contrary to the tariff guideline in the matter of Cargo, Ground Handling and Fuel. In accordance with the tariff guidelines the ISP is eligible to claim return on both debt and equity invested in the project during construction phase. Para 9.2.7 of the tariff guideline provides the methodology of calculation of financing allowance. Authority should consider the same and accordingly financing allowance should be allowed in case of DAFFPL. In order to fund the project DAFFPL has to invest both debt and equity/internal accruals and accordingly Authority should allow return on both debt and equity. Equity or internal accruals also has an opportunity cost which the service provider has to pay and accordingly the same should be reimbursed in a regulated environment. The Authority has considered financing allowance as a guiding principle for other airports. Authority has allowed financing allowance to BIAL and GHIAL during second control period. Following is the relevant extract of BIAL CP2 order no 18/ 2018-19:	We agree with the views of DIAL and request the authority to consider the same favourably.

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	Para 9.2.22 The Authority noted that 8/AL had considered Financing' allowance for addition to RAB as provided in direction 5- Airports guidelines, against interest cost during construction which will be capitalised as cost of assets.... *Further Authority at Table 26 of the same order while arriving at the project cost has considered financing allowance as part of project cost.*	
HPCL	FIC tariffs are a "Pass Through" in the pricing mechanism for us. Kindly apply the new tariff on prospective basis only.	Noted
BPCL	**1.** We have already witnessed the devastating impact of the second wave of Covid-19 and further waves are feared due to the newer and more deadly variants of coronavirus emerging, hence both Domestic and International traffic is not likely to reach pre-Covid numbers. Further since majority of ATF volumes at IGI Airport, New Delhi come from international traffic and the International Traffic particularly is likely to continue to be hit even more harderas such waves come at different times at different countries and flight restrictions are imposed even if one among a pair of countries is affected the overall ATF volumes will continue to be much lower than projected in the 3rd Control Period. Further as a New Airport is expected to come up at Jewar during the 3rd controlperiod which is likely to substantially take up business from IGI Airport, New Delhi the ATF volume handled is expected to be much lower than projected, AERA has however on the other hand proposed to reduce the FIC by 18%,32%, 35%, 38% & 42% for FY 21-22, 22-23, 23-24, 24-25 & 25-26 respectively. Thus, in view of expected lower volumes both due to Covid 19 impact and upcoming New Airport at Jewar, it is requested that the revenues for DAFFPL are reconsidered keeping the low Traffic and low ATF volumes expected during the 3rd Control Period so as to ensure smooth & efficient operations at all times.	We agree with the views of BPCL and request authority to have considerate view.
BPCL	**2.** DAFFPL is required to invest a huge Capital in the 3rd control period as the Open Access Fuel Farm facility is required to be extended to Terminal 1 of theIGI Airport, New Delhi. AERA vide point No. 5.5.5 has not considered financing allowance on the Equity portion of the fund to be invested and considered IDC only on the debt portion. Financing allowance on the Equity portion of the fund to be invested by DAFFPL may also be considered for FIC calculations.	We agree with the views of BPCL and request the authority to consider the same favourably.
BPCL	**3.** AERA has proposed 'Price Cap Approach' for determination of Fuel Infrastructure Charges to DAFFPL, however the FIC charges proposed are much less than the calculations submitted by	We agree with the views of BPCL and request Authority to consider FIC

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	DAFFPL and also much lower than the FIC charges already approved in 2nd control period. It is thus requested that the FIC workings are reconsidered so that DAFFPL is able to provide satisfactory level of service and follow the required parameters of Safety and Quality.	based on DAFFPL's submission.
IOCL	**1)** Though the fuel farm owner/operator are expected to complete the project on time, however due to expected challenges in execution of projects in an operating airport, the provision of penalty clause may be reconsidered.	We agree with the views of IOCL.
IOCL	**2)** As the concession period of DAFFPL is left to 13 years only & DAFFPL is expected to transfer its facility once concession period is over, hence for the purpose of calculation of depreciation, the useful life may be considered only up-to the validity of concession period	We agree with the views of IOCL. Similar view have been expressed by other stakeholders as well.
IOCL	**3)** We understand Ind AS is the new accounting methodology being followed by the companies, hence the same may also be considered for this case also.	We agree with the views of IOCL.
FIA	**1.** Optimum Utilization of existing 'Open Access' fuel infrastructure & deferment of non-essential capital expenditure *As mentioned above, post COVID-19, it will take around two (2) - three (3) years for theflight operations to reach to its pre Covid-19 peak levels. Accordingly, the Authority and DAFFPL need to review the usage of existing 'Aviation Fuel Farm facilities' at IGI Airport, Delhi (**Delhi Airport**) to cater to the proposed traffic levels, without any new or additional investments, at the present stage. In this regard, the Authority should direct DAFFPL to ensure that all efforts are made to utilise T2/T3 'Open Access' fuel infrastructure to its complete potential and leveraging its benefits, before undertaking investment for T1 fuel farm infrastructure, as required.* *In view of the above, in order to support the airlines to continue and sustain its operations, all non-essential capital expenditure (For e.g., New Administrative Building) proposed by DAFFPL, should be put on hold/ deferred, unless deemed critical from a safety compliance perspective. Further, in case DAFFPL wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines.*	FIA concerns were duly noted. DAFFPL would like to apprise that Currently DAFFPL operates at Terminal 2 and 3 of the IGI Airport. As part of IGI airport development plan, DAFFPL is now undertaking the hydrant facility expansion at Terminal 1 from the existing fuel farm. It is further to bring to notice that DAFFPL has already started/awarded the subject works before the COVID pandemic started and nearly 50% of work has already been completed as on date. The project was undertaken in view of the airport operator's (DIAL) planned expansion of Terminal 1 at IGI Airport (finalized in 2016 with Ministry of Civil Aviation,

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		(GoI) in consultation with all the stakeholders). Airport Operator (DIAL) requested DAFFPL for setting up of Fuel Hydrant System at Terminal 1 based on the approval they obtained from GOI. Post commissioning of the Terminal 1 Hydrant system, DAFFPL would be catering close to 100% ATMs. Further DAFFPL would like to submit that in order to minimize costs, DAFFPL has decided to feed the terminal 1 volumes also from the existing fuel farm instead of constructing a separate/new fuel farm. Further DAFFPL would like to submit that DAFFPL has already deferred non-essential capital expenditure to the extent possible without compromising the quality and safety of operations.
FIA	**2.** Review in Fuel Infrastructure Charges (FIC) & Into Plane Charges (ITP) *Airlines are now paying separately for FIC and ITP which was earlier part of ATF pricing.Third, this FIC and ITP along with GST thereon becomes part of ATF pricing and suffers from Excise Duty and Sales Tax. The additional burden of non-creditable taxes becomes sixty-four (64) % - seventy (70) % on the airlines.* *We would also like to urge the Authority to pass an order stating that FIC and ITP should be directly invoiced by the services providers to the airlines to avoid circuitous billing and for the sake of 'Ease of doing business' and 'Transparency'. This will also help in avoiding unnecessary tax on tax to the tune of sixty-seven (67) % to Airlines.* We strongly urge the Authority to undertake a thorough investigation retrospectively to determine the actual cost of efficient operations and revenues collected by DAFFPL till date. All excess recoveries to be passed on to the airlines and future tariff to be determined based on actual cost of efficient operations.	FIA concerns are duly noted, however we would like to submit that as per the applicable tax legislation in India, tax is applicable on the total consideration till the point of sale (*here the point of sale by the Suppliers to the Airlines is considered at the wing tip of the aircraft*). Further, the product (read ATF) is owned by the oil companies and as per current practice, invoices are governed by the 'supplier agreement'.

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		As the Supplier is the recipient of services at the fuel farm (and not the Airlines, who is the customer of the Supplier), hence DAFFPL cannot invoice directly to Airlines as per the existing tax legislation(s). The above practice is being followed at all the airports. Further, we would like to submit that in order to cater FIA proposal, tax legislation changes may be required. With regards to thorough investigation: we are not sure if FIA is doubting the tariff determined by the Authority. However, DAFFPL would like to submit that the tariff is determined by the Authority based on its regulatory framework. AERA regulatory model takes into consideration all the building blocks and consider efficient cost of operations while determining FIC.

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FIA	**3.** Review of Operational Expenditure *FIA is unaware as to whether DAFFPL has taken cost cutting measures including re- negotiations of all the cost items on its profit and loss account. It may be noted that cost incurred by DAFFPL impacts the airlines, as such cost is passed through or borne by the airlines. The Authority may like to advise DAFFPL to re-negotiate all the cost in a significant manner and address any increase in fees sought by DAFFPL.* *In view of the industry reports from IATA and CAPA, which foresee a minimum period of two (2)-three (3) years for air traffic and flight operations to reach Pre COVID-19 levels, we request that the Authority should put on hold any increase in such expenditure. Further, the Authority should instruct DAFFPL to review its spending on these heads and take immediate steps to reduce and control its expenditure, especially when airlines are currently only operating 40 - 50% of overall size. Further, DAFFPL should be directed to pass on such cost benefits to the airlines.*	FIA concerns are duly noted. DAFFPL would like to submit that wherever possible, DAFFPL has undertaken cost cutting measures including re-negotiations of all the cost items without compromising the quality of service and safety of operations.
FIA	**4.** Review of Tendering Process *Authority should ensure that in the tendering process adopted by DAFFPL, the tenders are awarded to only those parties which provide the competitive costs with best-in- class services. Any attempt to award the contracts on the highest revenue share basis to DAFFPL should be discouraged. It is general perception that DAFFPL has no incentive to reduce their expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.*	As per the current tendering process of DAFFPL, the tenders are awarded to parties submitting the lowest cost/bid, meeting the eligibility criteria within the defined tender scope of work.
FIA	**5.** Other comments on the Consultation paper/CP: I. **Useful Life** (Refer 4.15.6 and 5.5.2 of CP): *FIA requests Authority to reconsider the Useful Life of 05 years proposed to be considered for 'Roads', as the Authority order No. 35/2017-18 mentions the Roads to have a Useful life of "05/10" years, and hence the depreciation applied should be 10% instead of 20%.* II. **Over Recovery** (Refer 4.23.1 of CP):	I. DAFFPL would like to submit that DAFFPL has not owned and capitalized any assets falling in the category of Road and hence the point is not applicable in case of DAFFPL. II. Point is duly noted.

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	DAFFPL has made an over recovery of Rs. 14,729.95 Lakhs during the second control. Authority and DAFFPL should undertake appropriate measures to ensure that there are no/minimal cases of over recovery, in future, which will assist in lowering the burden of tariff on airlines/passengers.	
	III. **RAB (Construction of New Administrative Building)** (Refer 5.1.3.4 of CP): *Construction of the New Administrative Building may be kept on hold until a decision on disposal/ alternate use of the existing administrative building has been made.*	III. DAFFPL would like to submit that the current facility of administrative building measuring 13,500 Sq Ft is quite old and is structurally weakened. Based on the analysis of external consultant, the beams and columns of the building are found to be deficient, considering this there is a requirement of construction of new administrative building.
	IV. **Penalty** (Refer 5.3.3 of CP): *While the airline industry has been cutting down the capital expenditure to mere bonesin the face of current extraordinary situations, we suggest that that the Authority mayconsider more stringent penalties in excess of 1% in the event of any delay or significant reduction in the execution of capital expenditure as finally approved for thethird control period such that efficiencies in the system are encouraged and inefficiencies discarded.*	IV. It is in the DAFFPL's interest to complete the project within the committed time schedule as there will be a loss of return as well as depreciation in case of delayed completion and capitalization. However, there could be delays due to reasons beyond DAFFPL's control, especially due to covid-19 pandemic and other unforeseen events. Any delay in commissioning and capitalizing the project implies denial of return on such asset and depreciation. Imposition of

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		additional 1% penalty by reducing the RAB of the delayed cost of the projects therefore is harsh especially during the current pandemic affected times.
	V. **Employee Expenses** (Refer 7.6.1): *While the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, and are not able to pay even to the supportstaff, on the other hand DAFFPL seems to have paid full salaries to its staff including annual increments which is completely unheard of, in the same aviation sector. It appears that DAFFPL wants to recover its full employee cost from the airlines, which are not even able to pay salaries to their support staff. In our view, DAFFPL needs to considerably restructure its employee benefit expenses and other expenses and hold any revisions at least for the next two (2) years.*	V. DAFFPL apprised on the endeavour to minimise employee expense, wherever possible the expenses have been reduced in order to cope up with current impact of COVID on the business activity. The minimal % of hike in employee cost is required to retain good talent resources which are required in the fuel industry to discharge on time services with no compromise on operational safety as the same is categorized as a hazardous industry, due to highly inflammable nature of product which is handled by these people on daily basis.
	VI. **Operating Expenses and other expenses** (Refer 7.6.2, 7.6.3 and Table 42 of CP): *FIA stated that rather than significant reduction in cost items of operating expenses (inpara 7.6.2 of the CP), DAFFPL is proposing a 'Year on Year' increase between 9% and 25%, whereas the Authority is considering an increase between 8 to 12% in the name of escalation in a highly uncertain environment where we are just operating at approx.40-50% of the pre Covid-19 levels. Similarly, in section 7.6.3, other expenses, DAFFPL is proposing a Year-on-Year increase between 10% and 30%, whereas the Authority is also considering an increase between 10 to 20% in the name of escalation.*	VI. DAFFPL would like to submit that about 90% of the operating expenses that DAFFPL incurs are fixed in nature as DAFFPL needs to maintain all the available resources and facilities because all the

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	It may be noted that rather than escalations, across industries all the costs have been renegotiated downwards substantially. DAFFPL needs to significantly reduce all such costs in a very aggressive manner. DAFFPL may be advised to reduce its cost by at least 35% and no escalation should be permitted. VII. **Price Cap Approach** (Refer 3.14.1 of CP): *It is recommended that the Authority issue clarifications/amendments to the CGF Guidelines that even in the light touch approach, the Authority would ensure that extraordinary profits do not accrue to the service provider and that the end user is not burdened with higher tariffs.* In addition, the Authority should continue the applying the Price-Cap approach for reasons of consistency to ensure uniformity between DAFFPL and MAFFL & IOSL.	facilities work as a single integrated setup and as a result the operating expenses will not reduce due to impact of COVID. Further wherever possible DAFFPL has deferred and reduced operating expenses. Further, being an old fuel farm, major expenses are incurred on regular/periodic maintenance activities to ensure the safety of the fuel farm and for smooth operation. VII. NA.
IATA	• IATA agrees with AERA's proposal to determine tariff for this control period under Price cap methodology and following the single till mechanism which is in line with the decision by Hon'ble TDSAT pertaining to tariff determination for the second control period.	Noted
IATA	• The continued use of the true-up approach to the building blocks by AERA means that in effect, DAFFPL's business has a significantly lower risk. This diminution of risk should be properly reflected through a lowering of the WACC.	DAFFPL is providing service of handling dangerous goods at vulnerable areas. Further, since DAFFPL depends on the airport operator for utilities and other supplementary services, any failure by the Airport Operator in providing the

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		same would directly impact DAFFPL's operations. Due to higher level of operational risk involved in DAFFPL's operations, business condition and environment, DAFFPL request to consider proposed WACC as per its submission.
IATA	• IATA fully supports the adoption of useful life and depreciation rates for various assets owned by DAFFPL in line with the Authority's order No. 35/2017-18.	As provided by the other stakeholders and as per Authority's order No. 35/2017-18 at clause 3.2 of the amendment no.1. the balance useful life of the assets have been categorically captured in case of restrictive lease periods. DAFFPL has also considered depreciation considering useful life of assets till the end of concession period in its MYTP submission.
IATA	• IATA agrees with AERA that including the lease amount paid to the landowner under operating expense is a more appropriate treatment than depreciation on the value of the leased land.	We would like to submit that treatment of lease rent as per Ind AS will rationalize Fuel infrastructure charges of all the control periods.
IATA	• Notwithstanding TDSAT's decision to include CSR as operating cost, there should be objective criteria formulated to ensure the reasonableness of the amount of CSR expenses.	We would like to submit that CSR expenses is governed in terms of the provision of the Companies Act 2013, and the CSR expenses are based on provision of Companies Act only.
IATA	• While the Authority has proposed a lower annual increase in employee expense of 7.5% from 2021, there has not been a necessary downward adjustment to the base employee cost to reflect the lower business activity (and hence lower employee number) since	IATA's concerns are duly noted however DAFFPL would like to submit its endeavour to minimise

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	2020 due to the impact of COVID. The same rationalization of the base cost for Employee Benefits should also be undertaken.	employee expense. Wherever possible, the expenses have been reduced in order to cope up with current impact of COVID on the business activity. The minimal % of hike in employee cost is required to retain good and talent resources, which are required in the fuel industry. As the same is categorized as a hazardous industry, due to highly inflammable nature of the product which is handled by these people on daily basis.
MAFFPL	**4.15.5** DAFFPL has adopted different depreciation rates based on the agreement with the Airport Operator that the assets would be handed over to the Airport Operator without any compensation on expiry of the contract. In the second control period, the Authority indicated that if the agreement is not extended by the Airport Operator, the Authority would take this in to account to write off such assets during the relevant control period. The stand of the Authority was accepted by the Hon'ble TDSAT judgement dated 27th September 2019 **4.15.6** In view of the above, the Authority proposes to recalculate the depreciation in line with the rates specified in the order no.35/2017-18 **MAFFFL Response -** It is observed that Authority has not considered the applicable depreciation rate considering that the assets would be handed over to the Airport Operator without any compensation on expiry of the concession period. The Authority agrees to however, take into account to write off such assets in the relevant last control period. As this will have an impact of substantial amount in the last control period, Authority is requested to re-consider and allow depreciation at the uniform rate in order to fully depreciate at the end of concession period.	We agree with the views of MAFFFL.
MAFFPL	**4.19.1** In addition, the licence fee Consultation Paper No. 12/2021-22 Page 17 of 52 paid to the airport operator was shown as opex in the years 2016-17, 2017-18 and 2018-19. In the years 2019-20 and 2020-21 the same has been taken as a part of right of use assets as per Ind AS 116. In order to maintain uniformity and also reflect the true cost of operations, the Authority proposes to consider the	We agree with the response of MAFFFL. Because the Books of account of the company is maintained

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	licence fee paid to the airport operator as a part of operating expenses. **MAFFFL Response -** It is observed that the Authority has not followed Ind AS 116 for the computation of Lease Rent/ License fees for the operator. As per IND AS accounting standards, Ind AS 116 is mandatory with effect from 01.04.2019 andthe books of accounts of the company is being maintained considering IND AS 116 from FY 2019-20 onwards in compliance of the IND Accounting standard. As the Right of Use of Assets considered under IND AS 116 are recognised as a Tangible Asset in the Balance sheet, the same should form part of RAB and depreciation for ARR calculation. Hence, in our opinion, Authority should reconsider lease rent/license fees under IND AS 116.	considering IND AS 116 in order to comply with provision of the Companies Act. As rightly mentioned by MAFFPL, it does not have an impact on the overall consideration of Lease amount. Authority is requested to consider the same.
MAFFPL	**5.5.5** The Authority noted that DAFFPL has claimed Financing Allowance Rs 2856 lakhs on the CWIP in addition to the IDC of Rs 1639 lakhs during the third control period. The Authority is of the view that such allowance is essentially the IDC for a project and should be provided only on the Debt portion of the project fund. Accordingly, the Authority has considered only the IDC amounting to Rs 1639 lakhs **MAFFFL Response** - The FRoR on RAB is applicable only on commissioning of the assets and the operator starts getting return only when the asset is completed and becomes part of RAB. Though the interest on the capital funded through debt is capitalized and forms part of RAB when the assets are capitalized, the notional return on equity capital does not form a part of RAB. Hence the actual interest paid on the debt taken for the asset is considered while the notional return on equity is not considered while arriving at the RAB and consequently there is no return on equity for the period the expenditure is incurred on the capital asset and the asset is capitalized. In view of the above, DAFFPL has claimed Financing Allowance equal to FRoR on equity portion of capital employed for this period. In view of above, we feel Authority should reconsider this proposal.	We agree with the views of MAFFFL and similar views were provided by various other stakeholders. Request Authority to consider.
MAFFPL	**5.7.4** *The* Authority proposes to re work the RAB of DAFFPL, Delhi for the fourth control period by reducing the RAB by 1% of the	We agree with the views of MAFFPL.

	delayed cost of the projects, if DAFFPL fails to Commission and capitalize the projects as per MYTP submitted **MAFFFL Response -** The Authority has proposed to rework the RAB of DAFFPL for the fourth Control Period, by reducing the RAB by 1% of the delayed cost of the projects, if DAFFPL fails to commission and capitalize the projects as per MYTP submitted. It is in the operator's interest to complete the project within the committed time schedule as there will be a loss of return as well as depreciation in case of delayed completion and capitalization. However, there could be delays due to reasons beyond the operator's control especially due to covid-19 pandemic and other unforeseen events. Any delay in commissioning and capitalizing the project implies denial of return on such asset and depreciation. Imposition of 1% penalty by reducing the RAB of the delayed cost of the projects therefore is harsh. We request the Authority to reconsider this proposal and remove the penalty clause.	The same has also been reiterated in the views expressed by other stake holders, as well. Authority is requested to consider the request for non-levy of such penalty.
MAFFPL	***6.14.1*** *The Authority proposes to maintain the cost of equity at 14% for the third Control Period.* **MAFFFL Response:** The Authority has proposed to maintain cost of equity for DAFFPL for third control period at 14%.We observe that for MIAL, the Authority has considered cost of equity at 15.13% in their tariff order for 3rd control period. For DIAL, the same has been considered at 15.41%. DAFFPL is also subject to all the usual risks an airport operator is subjected to. In addition, DAFFPL is a much smaller company compared to MIAL or DIAL, and also has a single source of revenue (FIC which is totally depending on fuel volumes) unlike airport operators who are much larger companies with more diversified revenue streams. Moreover, as DAFFPL is dealing with hydrocarbons, they are subjected to tighter regulations by statutory bodies like PESO etc. and carry a higher risk associated with handling of hydrocarbons. In view of the above, in our opinion, Authority should reconsider this proposal and allow cost of equity at least equal to that considered for DIAL.	We agree with the views of MAFFPL. Authority is requested to consider DAFFFL's request for cost of equity as proposed.

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